

WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, DC

ORDER NO. 4003

IN THE MATTER OF:

Served September 21, 1992

Application of MODEL TRANSIT, INC.,)
for a Certificate of Authority --)
Irregular Route Operations)

Case No. AP-92-27

By application filed July 21, 1992, Model Transit, Inc. (MTI or applicant), a Virginia corporation, seeks a certificate of authority to transport passengers in irregular route operations between points in the Metropolitan District.

Notice of this application was served on July 28, 1992, in Order No. 3983, and MTI was directed to publish further notice in a newspaper and file an affidavit of publication. MTI complied. This application is unopposed.

SUMMARY OF EVIDENCE

MTI's application includes information regarding, among other things, its corporate status, facilities, vehicle maintenance arrangements, driver training practices, proposed tariff, finances, and regulatory compliance record.

MTI proposes to operate scheduled commuter service between Vienna, VA, and points in downtown Washington, DC, using two 32-passenger vehicles. MTI's tariff contains daily, weekly and monthly fares. First-time riders in April and May 1993 would be entitled to specified reduced fares.

MTI's president certifies on its behalf that it has access to, is familiar with, and will comply with the Compact, the Commission's rules and regulations, and United States Department of Transportation regulations relating to transportation of passengers for hire.

It is certified that neither MTI nor any person controlling, controlled by, or under common control with MTI has any control relationship with a carrier other than MTI.

DISCUSSION AND CONCLUSION

This case is governed by the Compact, Title II, Article XI, Section 7(a), which provides in relevant part that:

. . . the Commission shall issue a Certificate to any qualified applicant, . . . if it finds that--
(i) the applicant is fit, willing, and able to perform [the] transportation properly, conform to the provisions of this Act, and conform to the

rules, regulations, and requirements of the Commission; and

(ii) that the transportation is consistent with the public interest.

The evidence in this record shows a potentially viable plan of operations and the prospective ability of applicant to conform with applicable regulatory requirements. In addition, applicant sets forth a business plan pursuant to which it would secure the financing needed to conduct the proposed operations. However, applicant has not yet demonstrated its ability to finance its proposal.

MTI's balance sheet shows only \$20,000 in assets. Beyond that, applicant asserts that some 16 persons have offered to purchase shares of common stock, which would raise \$7,750 capital. According to the application, MTI expected to sell these shares by July 31, 1992. However, the record does not show that these transactions have actually occurred. In addition, the application further asserts that, after receiving operating authority from the Commission, MTI "plans a private securities placement to raise \$230,000." Finally, MTI's projected balance sheet for its first year of operations estimates a net operating loss of \$95,500 on gross revenues of \$400,000 from operations. From a cash flow standpoint, the loss is partially ameliorated by depreciation expense of \$43,000. While a new operation, even if fully successful, may not result in a profit the first year, a certain amount of financial substance is necessary to absorb projected losses during the period.

Accordingly, the Commission is not able to make the requisite finding of financial fitness on this record. Under normal circumstances, failure to find an applicant financially fit would result in denial of the application without prejudice to its being refiled at such time as applicant is able to make the required showing. However, in this case the Commission is impressed with MTI's proposal and the level of supporting detail that has been presented. Also, the Commission is mindful that the transportation service proposed by MTI is in the nature of a specialty scheduled commuter operation apparently oriented toward a segment of the market that may find a parking-included, reserved-seat service sufficiently attractive to forsake their automobiles.

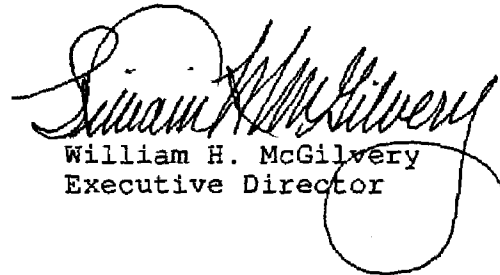
In these circumstances the Commission believes that the public interest would be better served by providing MTI an opportunity to supplement this record with evidence that it has secured the financing needed to implement and sustain the proposed service.

Based on the evidence in this record, the Commission finds MTI operationally fit and fit as to regulatory compliance. It is further found that the proposed transportation is consistent with the public interest. The Commission's findings with regard to MTI's financial fitness shall be deferred pending applicant's compliance with the requirements of this order.

THEREFORE, IT IS ORDERED that Model Transit, Inc., shall file with the Commission, no later than Thursday, December 31, 1992, an original and four copies of the following: (a) notarized balance sheet showing assets sufficient to commence and sustain operations,

considering projected cash flow; (b) detailed projected cash flow analysis for first 12 months of operations; (c) projected operating statement for first 12 months of operations; and (d) such additional or revised supporting evidence as applicant may deem probative.

BY DIRECTION OF THE COMMISSION; COMMISSIONERS DAVENPORT, SCHIFTER, AND SHANNON:



William H. McGilvery
Executive Director